

Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04

RSC-01 USIA-15 PRS-01 SP-03 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 AGR-20 DRC-01 (ISO) W
----- 056733

R 241800Z APR 74

FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 6874
INFO AMEMBASSY BRASILIA
AMEMBASSY GUATEMAALA
AMEMBASSY MANAGUA
AMCONSUL RIO DE JANEIRO
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

UNCLAS SAN JOSE 1599

E.O. 11652: N/A

TAGS: ETRD, EAGR, CS

SUBJECT: COSTA RICA DECLARES FORCE MAJEURE ON CACAO CONTRACTS

1. THE GOCR HAS RECENTLY PUBLISHED A DECREE CONCERNING CACAO WHICH BODES TROUBLE FOR COSTA RICA'S CONTRACTS AND FOR THIS COUNTRY'S POSITION IN THE NEW YORK MARKET.

2. EXECUTIVE DECREE NUMBER 3641-P OF MARCH 28, PUBLISHED IN THE GAZETTE OF APRIL 3 (A) "DECLARES AS CAUSE FOR FORCE MAJEURE THE STATE OF EMERGENCY FACING PRODUCERS AND EXPORTERS OF CACAO IN THE ATLANTIC ZONE" AND (B) "CALLS ON THE CENTRAL BANK TO PROVIDE ADDITIONAL FINANCING THROUGH THE BANKING SYSTEM TO HELP WITH THE EMERGENCY AND IN ORDER TO ASSIST THE TOWN OF LIMON IN BUILDING LARGER AND BETTER WAREHOUSE FACILITIES.

3. IN THE PREAMBLE TO THE DECREE THE REASONS FOR THE STATE
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OF EMERGENCY INCLUDE: (A) STRONG, PROLONGED AND CONTINUED

RAINS IN THE ATLANTIC ZONE DURING OCTOBER THROUGH DECEMBER PERIOD WHICH "SERIOUSLY DAMAGED THE HARVEST OF THIS GRAIN TO THE POINT OF ALMOST DEMOLISHING IT COMPLETELY"; (B) SERIOUS QUALITY LOSSES AS A RESULT OF WEATHER AND A LACK OF TRANSPORTATION; (C) REJECTION OF LARGE SHIPMENTS BY THE NEW YORK MARKET BECAUSE OF DEFECTIVE CONDITION AND THE HIGH DEGREE OF MOLD; (D) UNFAVORABLE CLIMATIC CONDITIONS ADVERSELY AFFECTING THE INTERMEDIATE HARVEST KNOWN INTERNATIONALLY AS THE SPRING HARVEST; AND (E) EXPORTERS OF CACAO NOT ONLY FIND THEMSELVES UNABLE TO COMPLY WITH PENDING CONTRACTS BUT ALSO ARE UNABLE TO REPLACE REJECTED SHIPMENTS.

4. AGATT WAS TOLD BY A LEADING EXPORTERS THAT SOME FIRMS ARE ALREADY CANCELLING CONTRACTS AND THAT HE FEARS FOR THE REPUTATION OF COSTA RICA AND IS CONCERNED ABOUT PUNITIVE ACTIONS BY NEW YORK MARKET. HE ADDED THAT NEWLY FORMED ASSOCIATION OF CACAO EXPORTERS WAS NOT CONSULTED RELATIVE TO THIS ACTION.

LANE

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NNN

Message Attributes

Automatic Decaptioning: X
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Disposition Event:
Disposition History: n/a
Disposition Reason:
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30 JUN 2005

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Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005